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No. 154

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## NATIONAL POLICY AND ISSUES

### ECONOMIST SUN YEFANG'S VIEWS ON VALUE, LAW OF VALUE DISCUSSED

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 1, 20 Feb 81 pp 27-33

[Article by Wei Xinghua [5898 5281 5478] and Wu Shuqing [0702 2885 7230] of China People's University, "A Discussion with Comrade Sun Yefang on Some Problems Concerning Value and the Law of Value"]

#### I

[Text] Comrade Sun Yefang [1327 0396 2455] is a noted Chinese economist commanding great respect and admiration. We can learn a lot from him. Nevertheless, we feel that his views on value and the law of value are open to further discussion.

Comrade Sun Yefang holds that Marx and Engels did not consider value and the law of value as factors particular to the commodity economy, saying, "Marx regarded the law 'governing the conservation of time and the planned proportionate use of labor time among different sectors of production' as the law of value. In a communist society to come, the function of the law of value on production is the true function of this law."

We feel that Comrade Sun Yefang has misinterpreted the views of Marx on this question.

As we know, it was Marx who established the scientific labor-value theory through his observation and analysis of the relations of the commodity economy. All the explanations and applications of the theory on value and the law of value by Marx are closely related to the commodity economy.

The qualitative difference between commodity products and non-commodity products lies in that the commodity products have not only use value, but also actual value which forms an essential factor of the commodity products and which distinguishes the commodity products from the non-commodity products. Marx pointed out that the reason iron, linen and wheat "are considered commodities is simply because of their dual nature--that they are both useful and of value." ("Collected Works of Marx and Engels," Vol 23, p 61) In other words, it is because there is a unity of useful value and actual value in commodity products that they are considered commodities. If one holds that in the non-commodity economy the products of labor also have value, then it would mean that all products of labor in a society enjoy the unity of useful value and actual value. If such is the case, what is the

distinction between commodity products and non-commodity products? And then what is the significance of Marx' analysis showing that commodity products are products of a dual nature?

It is true that value constitutes the crystallization of human labor. But it cannot be said that the crystallization of labor under any historical conditions has value, because only the labor crystallized in commodities creates value. The establishment and development of the concept of value is in correspondence with the establishment and development of the exchange of commodities. In the 2-3 million years of the development of the primitive human society, the people were also engaged in labor to produce useful things. But, just as pointed out by Engels, "primitive communism knows no value." ("Marx and Engels Correspondence on Capital," p 573) That was because the products of labor were not exchanged as commodities. It was only after there was commodity exchange that labor found expression in value. With the development of the exchange of commodities, the law of value has become more and more apparent. In the case of the earliest occasional, individual exchange of the products of labor, these products were not commodities in the full sense, and their value was of no real significance. For this reason, the law of value did not apply in a realistic manner. "The division of the products of labor into things of usefulness and things of value occurred only by the time when the exchange of goods became very extensive and important. Then there were things of usefulness which were produced purely for the purpose of exchange and whose value was marked at the time of production." ("Collected Works of Marx and Engels," Vol 23, p 90) That is to say that only after there was commodity production did value and the law of value begin to play a role.

Marx stressed again and again that value and the law of value were historical terms. He also criticized classical political economy for identifying value with productive labor, thereby making the mistake of taking value as an everlasting element. Although classical economists Smith and Richard explained that the essence of value is labor and the amount of value is measured by the time of social labor spent, they failed to draw a line between the essence and form of value. In classical economics, "the following questions were not even asked: Why a given essence must find expression in a given form? Why labor finds expression in value, and the amount of labor computed on the basis of the time of labor finds expression in the amount of the value of the product concerned?...According to the bourgeois view in political economy, it is a matter of course--a matter as clear as there is productive labor." ("Collected Work of Marx and Engels," Vol 23, pp 97-98) Labor as the essence of value is always with human society, but value as an expression of labor is a particular historical thing under a definite historical condition, i.e. the condition of a commodity economy. The value of a commodity "is a historical form of an element existing in all types of society." That "element" is "the social nature of labor expended as social labor." ("Collected Works of Marx and Engels," Vol 19, p 420) It is wrong to interpret the Marx remark as meaning that the "element existing in all types of society" is value.

In the same way as Marx, Engels also repeatedly criticized the mistake of non-historical view considering value as an everlasting element.



Duhring, the reactionary socialist of the bourgeoisie, not only attacked but also distorted the Marx theory of labor value. He held that the time of labor mentioned by Marx was the yardstick of value, i.e. the "absolute value" of all "economic things" can be measured by the time of labor. This distortion was criticized by Engels. He pointed out that Marx only referred to an "assessment of commodity value," "not 'absolute value'...but rather a general value of a particular type of society," and "the only value known to economics is commodity value." ("Selected Works of Marx and Engels," Vol 3, pp 237, 345)

Vulgar economist (Sambert) tried to explain the Marx economic view in his book, "On Karl Marx Economic System." In outlining the concept of value of Marx, however, he failed to mention that it applies only to a society of commodity economy. In a letter to (Sambert), Engels pointed out, "I cannot fully agree to your statement on the views of Marx...In my view, your statement is too hollow. If I were you, I would have confined the Marx concept of value to a historical condition, stressing that it applies only to the stage of the development of social economy where there is some value to speak of, i.e. a type of society where there is commodity exchange and corresponding commodity production." ("Marx and Engels Correspondence on Capital," p 573) Engels' remarks make it very clear that there is value only in places where there are commodity exchange and commodity production.

Kautsky misinterpreted the meaning of value when he presented himself as a Marxist theorist, saying that under conditions of commodity production, value means the value of commodity production, and that after commodity production ended, value itself still exists, except in another form. Kautsky held that there are two types of value, i.e. the value from commodity production and the value from non-commodity production. This erroneous view was sharply criticized by Engels in his letter to Kautsky, pointing out that the way Kautsky treated value was similar to the way (Robert) treated capital. In trying to find out the true and eternal essence of capital, (Robert) held that the capital in the hands of the capitalists is an incomplete expression of the capital concept, and that the true capital is the means of production—not the particular capital in the hands of the capitalists. In this way, he eliminated the true character of capital from the definition of capital. Engels said that Kautsky treated value "in the same way," because in his attempt to find out the eternal presence of value, he held that there is value insofar as there is relationship between labor and products. In this way, he eliminated the true character of value from the definition of value. Engels emphatically pointed out, "In reality, economic value as a term belonging to the category of commodity production will disappear together with commodity production...just as it never existed prior to the advent of commodity production. The relationship between labor and products cannot find expression in the form of value, either before or after commodity production." ("Marx and Engels Correspondence on Capital," p 448)

Since Marx and Engels considered value as an element of commodity production, they would definitely not think there is a law of value in a Communist society where commodity production no longer exists. They even predicted that as soon as public ownership is adopted over the means of production, value and the law of value would disappear, because they held that with the elimination of private ownership, commodity production would come to an end. Marx stated, "In a collective society based on the collective possession of the means of production, the producers do not use their

products for exchange, and the labor expended on production does not find expression in the value of these products." ("Selected Works of Marx and Engels," Vol 3, p 10) In his work "Anti-Duhring," Engels also predicted that: Once a society is in possession of the means of production, "the people will be able to handle all things in a very simple way, without involving themselves in the well-known 'value.'" ("Selected Works of Marx and Engels," Vol 3, p 348) Facts show that insofar as there is commodity production in the socialist economy, there is value and the law of value. We cannot deny this fact because of the predictions of Marx and Engels. On the other hand, we can neither groundlessly assert that Marx and Engels considered value and the law of value as belonging to the everlasting category, just for the sake of establishing that fact.

Comrade Sun Yefang holds that "The law of value which, according to Marx and Engels, will disappear following the disappearance of the capitalist way of production, is the law of value in the capitalist commodity economy and the law of market value." ("Study Chairman Mao's Works on the Law of Value from an Overall Viewpoint," published in ECONOMIC RESEARCH, No 11, 1978. Future quotations from the same source will not be further identified.)

With regard to the value and law of value which play a commanding role in a Communist society, he said "they are the value and law of value of the planned economy under the ownership of the whole people." We feel this view of Comrade Sun Yefang cannot hold water.

First if, as asserted by Comrade Sun Yefang, Marx and Engels held that there are two types of value and the law of value, why did they stress again and again that value is particular to the commodity economy and that the only value known in economics is commodity value? And why did they repeatedly criticize the various non-historical views on the concept of value? In particular, why did they criticize Kautsky for his concepts of the value of commodity production and the value of non-commodity production?

Second, Comrade Sun Yefang divides value and the law of value into two categories: those of the private ownership society and those of the whole-people ownership economy. If this can be done, what about the value and the law of value of the socialist collective ownership economy? Do they belong to a third category? Further, do value and the law of value exist in the socialist whole-people ownership planned economy (where there is commodity production) and also just the same in the Communist whole-people ownership planned economy (where there is no commodity production)? No answer was provided to these questions in Comrade Sun Yefang's article. According to his logic, it would be possible to divide the concepts of value and the law of value into many categories. Is it theoretically and logically possible to divide a scientific concept into concepts of different meanings and divide an economic law into economic laws with different provisions?

In reality, the concepts of value and the law of value advanced by Marx are applicable to all types of commodity economy. "In the exchange of commodities, the natural law of exchange which plays a regulatory role on the labor time for producing these products can forcibly blaze a trail itself." ("Collected Works of Marx and Engels," Vol 23, p 92) That is the function of the law of value which

plays a role in all types of commodity production and commodity exchange. Under different social systems, the law of value functions in different scopes and forms, not with different essence and different meaning. For this reason, we cannot say that the law of value under private ownership and under socialist public ownership can be two laws of value of radically different meanings, nor that there can be a law of value governing non-commodity production in the Communist whole-people ownership economy in the future.

Finally, it is theoretically and practically impossible to divide a single law of value into two laws bearing the same name but with two definitions. In the works of Marx, the law governing time conservation and the proportionate consumption of labor time among different quarters is different from the law of value. Under conditions of commodity production, the first law relies for its function on the second law. When commodity production is ended, the first law will continue to exist and assume a commanding role over social production, but the second law will disappear from the arena of history. Instead of giving these two laws the same name, thus confusing their meaning, Marx and Engels clearly pointed out their difference and scientifically explained the economic conditions for their existence and the fields of their application. To illustrate the commanding role of the law of value on socialist production, Comrade Sun Yefang saw fit to identify the two different laws as the same law of value, in order to transfer the importance and commanding role of the first law to the law of value. In so doing, the law of value becomes obscure in meaning because it no longer has a definite definition. This gives rise to a state of confusion in theory in studying the function of the law of value in the socialist economy, due to the lack of a definite scientific concept of the law of value.

## II

Comrade Sun Yefang holds that Marx and Engels not only held that there were value and the law of value in the public ownership economy following the elimination of the capitalist commodity economy, but also "'commented favorably' on the role of value and the law of value in the further society." He also said that in the works of Marx and Engels, the commanding role of value and the law of value in a communist society was mentioned more than once. For this reason, we must further study just how Comrade Sun Yefang came to the conclusion that Marx and Engels acknowledged that there are value and the law of value in the future Communist society.

First, in his work "An Outline of Political Economic Criticism" (To be referred to hereunder as "outline" for brief) Engels said, "Value exists in the relationship between the cost of production and the usefulness of a product. Value is used first of all to decide whether or not a product should be produced, i.e. whether or not the usefulness of a product is great enough to offset the cost of production. Only after this problem is solved can we talk about conducting the exchange of goods on the basis of value. If two products have the same cost of production, their usefulness will be the decisive factor determining their relative value." ("Collected Works of Marx and Engels," Vol 1, p 905) This passage formed the basis of Comrade Sun Yefang's opinion. He held that although this view was expressed by Engels in his early work, it should be taken as the lasting view of the precursor of Marxism, because it was subsequently reaffirmed by Marx and Engels.



As we know, the "Outline" was published in 1844. Although at that time this work was truly of great scientific value, and although it provided us with very important materials for studying the development of the Marxist economic theories, yet it must not be regarded as a mature work of Marxism. At that time, the Marxist economic theories were not yet established. For this reason, it was not in accordance with the prevailing historical situation to say that the "Outline" provided the lasting view of the precursor of Marxism on value. In reality, Marx and Engels themselves did not see the "Outline" in that light. In the 1870's, there were persons who proposed that the "Outline" be reprinted for republication. This proposal was resolutely rejected by Engels. In a letter to (Rebukneci) dated 15 April 1871, Engels definitely pointed out, "this work is entirely outdated, and it contains so many inaccuracies that it will only give rise to confusion among the readers." ("Collected Works of Marx and Engels," Vol 33, p 209) In a letter to (Poplis) dated 26 June 1884, Engels said, "You think it is useful to have my "Outline" translated...but I know very well that it has become entirely outdated. It has many shortcomings and mistakes. I am afraid that it will bring about more misconceptions than benefits." ("Collected Works of Marx and Engels," Vol 39, p 172) Similarly, although Marx once regarded the "Outline" as a "brilliant outline in the field of economy," he agreed with Engels not to reprint the "Outline" for republication.

A concrete analysis of the value theory contained in the "Outline" clearly shows that it was a far cry from the scientific labor value theory advanced by Marx later.

In the "Outline," Engels dealt with value first in his comments on the dispute between Richard and Sayer. At that time, Engels did not agree with Richard on his labor-value theory, nor with Sayer on his usefulness theory. He held that both sides of the dispute saw only one factor but neglected the other. At that time, Engels held that on the one hand, because a thing of no usefulness has no market, it proves that the value of that thing is not singly determined by its required labor or cost of production and, on the other hand, insofar as the usefulness of a thing is a purely subjective matter and, under the system of private ownership, is determined through competition which involves the cost of production, it proves that usefulness alone can neither determine the value of that commodity. It was on that ground Engels concluded that "value exists in the relationship between the cost of production and the usefulness of the thing concerned." Here he explained that both the cost of production (labor) and usefulness (useful value) are factors determining the value of a thing. This was the basis of Engels' definition of value.

Furthermore, in the "Outline," Engels actually denied that under the system of private ownership there was value. This view was made clear in his criticism against Richard's value theory. At that time, Engels failed to wholly understand that the relationship between price and value is a relationship between the form and the contents and between the appearance and essence. So he held that under the system of private ownership, taking into consideration that there are competitions and the relationship between supply and demand, there can be no abstract or real value as defined by Richard, except exchange value and commercial value which is market price. For this reason, he held that only the exchange value or market

price which is determined by competition is the real thing, and apart from that value itself bears no realistic meaning. He also held that to isolate value from price is "to transform price, a product of competition and the balancing of supply and demand, into an abstract thing." ("Collected Works of Marx and Engels," Vol 1, p 606) From this it can be seen that at that time Engels held that it was impossible to isolate value from market price, and it was not right to say that value was determined by the cost of production without referring to market price.

This shows that the value theory advanced by Engels in his "Outline" can absolutely not be taken as the lasting opinion of the precursor of Marxism on the value theory. First, at that time Engels did not yet draw a line between classical economics and vulgar economics and was not yet able to correctly evaluate the value theory of Richard. For this reason, he viewed Richard's labor value theory in the same light with Sayer's vulgar usefulness theory, criticizing one just as severely as the other.

Second, at that time Engels advanced his definition of value on the basis of its two component factors of labor and usefulness. This view was obviously at variance with the labor value theory established later by Marx who clearly pointed out that value is the indiscriminative crystallization of human labor, that useful value or usefulness is the premise of value, not a determining factor of value, and that in value there is no element of useful value.

Third, at that time Engels did not fully understand the functions of value under the system of private ownership, so he denied that there is value under the system of private ownership, seeing that market price can break away from value. By the time the Marxist value theory was established, both Marx and Engels pointed out on many occasions that the fact that price can break away from and fluctuate around value does not negate the existence of value, but rather constitutes the one and only form reflecting the functions of the law of value under the system of private ownership.

In short, an early work of Engels, the "Outline" did not and could not solve the problem of Marxist value theory. It is not in accordance with the history of the development of Marxist value theory to hold that the "Outline" of 1844 carried the lasting view of the Marxist value theory and, on that basis, hold that there are value and the law of value in the production relations under the system of public ownership in the non-commodity economy.

Comrade Sun Yefang went so far as citing passages from "Anti-Duhring" and from a letter from Marx to Engels dated 8 January 1868 to prove that the value theory advanced in the "Outline" was the lasting view of the precursor of Marxism. We hold that these passages offer no theoretical support to Comrade Sun Yefang's view.

Let us first examine "Anti-Duhring." The passage cited by Comrade Sun Yefang was a footnote which reads as follows: "In determining production, the aforementioned calculation on the usefulness and the expenditure of labor is all that can remain in a Communist society with regard to the concept of value as defined in political economy, as I pointed out in 1844...Nevertheless, this point was scientifically proven only in Marx' book Das Kapital.'" ("Selected Works of Marx and Engels," Vol 3, pp 348-349)

In "Anti-Duhring," the footnote mentioned "the aforementioned calculation on the usefulness and the expenditure of labor." This was elaborated in the text of that book, dealing with planned production in a Communist society. In that passage of the text, Engels pointed out, "Even under such circumstances, the society must know the amount of labor to be spent in the production of each type of consumer goods. It must formulate its production plan according to the means of production, particularly labor. This plan would finally be determined by the usefulness of each of the consumer goods (measured in comparative terms and in terms of their respective consumption of labor). This can be done very easily without having to use the well-known 'value' as reference." ("Selected Works of Marx and Engels," Vol 3, p 348) This passage clearly tells us that in a Communist society where the commodity economy is eliminated, it is still necessary to compare the usefulness and the consumption of labor in planning social production. This is because, on the one hand, each useful product must be produced with labor and only by correctly figuring out the relative labor consumption involved in the production of products of different useful value can the apportionment of labor time be carried out correctly and, on the other hand, only after due comparison of the usefulness and labor consumption concerned among products of the same category or products which can be used as substitutes for one another will it be possible to figure out the economic results, thus assuring the most rational and fruitful utilization of labor. Nevertheless, this type of calculation on the usefulness and labor consumption of products is not done through value and the law of value as in the commodity economy. "In such event, the consumption of social labor for the production of a product needs not to be figured out first in a round-about way—it is known from daily experience." ("Selected Works of Marx and Engels," Vol 3, p 348) "For this reason, it is unnecessary for the society to assign a value to each product under the aforementioned premises." ("Selected Works of Marx and Engels," Vol 3, p 348) In other words, products no longer have value.

From this it can be seen that the reason Engels referred to the "Outline" in his work "Anti-Duhring" was only because he wanted to reiterate that he had stated that it was necessary to calculate usefulness and labor consumption before planning production in a communist society to come. With regard to whether or not such calculation should be carried out on the basis of the concept of value or through the application of the law of value, Engels apparently gave a negative answer in the text of "Anti-Duhring."

First, it should be pointed out that footnotes are used to clarify certain points in a text. It is illogical for a footnote to present a view at variance with or even directly contradictory to the view of the text. Insofar as in the text of "Anti-Duhring" Engels clearly pointed out that it was unnecessary to use "value" as reference in planning production in a communist society and, in previous passages, he stressed that the only value known to economics was commodity value, the footnote cited above could not possibly indicate that value and the law of value would exist in a communist society after the commodity economy was eliminated.

Second, Engels used the phrase "all that can remain in a Communist society with regard to the concept of value as defined in political economy." The expression "all that can remain" indicates the abandonment of certain things. What, then, was abandoned in the concept of value? Comrade Sun Yefang held that the form of the



expression of value, i.e. the exchange value, was abandoned, while value itself remained. We cannot agree to this view. Not only it is impossible to isolate value from exchange value, but also the retention of value is contradictory to the repeated negation of the existence of value expressed in the text. In fact, we hold that the phrase "all that can remain" means social labor which finds expression in value in the commodity economy and the distribution of social labor among all quarters, and what were abandoned were value and the law of value. In a society, any society, it is necessary to figure out the consumption of labor in the production of all useful products and the distribution of labor among all quarters of production. Under the system of private ownership, the consumption of labor and the distribution of labor in commodity production are reflected indirectly by value and the law of value. With the elimination of the commodity economy, value and the law of value would fade away from the historical arena, leaving only social labor and its distribution to be the essence of value. It was in this sense that Engels referred to "all that can remain with regard to the concept of value."

Finally, Engels particularly pointed out that what he said in the "Outline" was scientifically proven in the book "Das Kapital" by Marx. What was scientifically proven in "Das Kapital"? That book dwells in great detail on the view that labor is the only source of value, that usefulness is not a determining factor of value, that value and the law of value are associated only with the commodity economy, and that only in the commodity economy can value and the law of value be used to figure out and apportion social labor. This view is a far cry from the view on value expressed in the "Outline." The reason Engels particularly mentioned the scientific analysis contained in "Das Kapital" was to indicate that although in 1844 he foresaw that in communist society production planning would be carried out on the basis of usefulness and the consumption of labor, that view was not scientifically proven. In "Anti-Duhring," Engels did not repeat what he said in the "Outline"—that the question of production should be solved with the application of the concept of value—but used the phrase "all that can remain." In "Anti-Duhring" it was emphatically explained that in a communist society where the commodity economy was eliminated, the concept of value is no longer needed.

With regard to the letter from Marx to Engels dated 8 January 1868 cited by Comrade Sun Yefang, it shows clearly that he misinterpreted the meaning of the passage cited. In that letter, Marx pointed out that all types of societies must regulate production in one way or another. "However, if production is regulated not by direct and active control of the labor time by a society—this can be done only under the system of public ownership—but by means of the fluctuation of commodity prices, then the situation would be exactly like what you have correctly said in the 'German-French Year Book.'" ("Collected Works of Marx and Engels," Vol 32, p 12) In this passage, Marx did uphold the "Outline." But what were the views expressed in the "Outline" that Marx upheld? Was it that "value exists in the relationship between the cost of production and usefulness?" or that "the concept of value will be used more and more to solve production problems?" No, not either of these. The passage deals only with using labor time to regulate production according to the law of value in the commodity economy based on the system of private ownership. What was upheld by Marx was only the analysis of the law of competition carried in the "Outline," i.e. in the commodity economy under the system of private ownership, production is regulated through the fluctuation of prices. On this



question it was pointed out by Engels, "the law of competition is that supply and demand always try to cope with each other, but will never succeed in striking a balance because of it. New dislocations will occur, and supply and demand will become sharply opposed to each other." ("Collected Works of Marx and Engels," Vol 1, p 613) Engels held that insofar as the system of private ownership is not eliminated, "the situation would never be perfect--there will always be endless fluctuations as well as ups and downs. This law always plays a regulatory role." ("Collected Works of Marx and Engels," Vol 1, p 613) These views of Engels disclosed the fact that under capitalism commodity production is carried out in the form of blind competition on the market and it is impossible to regulate production in a rational manner. On this point he was in agreement with Marx who voiced support of him in his letter. It is obviously not correct for Comrade Sun Yefang to recklessly jump to the conclusion that Marx upheld the view of the everlasting existence of value, merely because the "Outline" was referred to in the letter from Marx to Engels.

(This article was received 11 September 1980.)

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'JINGJI YANJIU' DISCUSSES OWNERSHIP SYSTEM

HK131508 Beijing JINGJI YANJIU in Chinese No 5, 20 May 81 pp 39-46

[Article by Ma Jiaju [7456 1367 7467]: "The Ownership System and the Subject of Political Economy"—slantlines denote boldface]

[Text] What is the ownership system? What is its relations to the production relations? And in this connection, how should we approach the ownership system in the study of political economy? This will be the focus of this discussion about the subject of political economy. In this article, I would like to air my views on the above questions by linking them with the study of "DAS KAPITAL" and other related works. I will thus have to quote many of Marx's original sentences due to the nature of the proposition. I hope our comrades will understand my so doing.

1

In Chinese, the words directly related to "ownership system" are "ownership," "property," "ownership-right" and "property-right." In German, the word "eigentum" [published in German in original] is used to express "ownership" and "property." For "ownership-right" and "property-right," although there is a compound word "eigentumsrecht" [published in German in original] is formed by joining "eigentum" [published in German in original] and "recht" [published in German in original] which is the equivalent to "right" in Chinese. "Eigentum" [published in German in original] itself already implies the meaning of "right." While in English, "ownership" [published in English in original] and "property" [published in English in original] are used to respectively express "ownership" and "property." They are not only interchangeable when connected with the word "ownership," but can sometimes be understood as "ownership-right" and "property-right." In addition, there is a special compound word in English, that is, "property-right" [published in English in original] to express the "right to possess property" or the "right to own," whose German equivalent is "eigentumsrecht" [published in German in original]. There is not a specific German or English word equivalent to "ownership system" in Chinese. The Chinese translation of "ownership system" from the German and English originals is in fact "eigentum" [published in German in original] and "ownership" [published in English in original] or "property" [published in English in original]. They have been translated according to their position in a sentence and according to habitual Chinese usage.

The semantics in German and English mentioned above reflect the close contacts between these concepts. "To own" originally means to make something belong to oneself, to force one's own will upon something; it can also be understood as something being part of a relationship. In this respect, it has the same meaning as "property." That which is directly expressed by "ownership" and "property" are all legal concepts. That is to say, there are relationships which are recognized by law and so they appear as "rights." Therefore, "ownership-right" and "property-right" are one and the same thing. And after being suffixed by "right," they more specifically express the meaning of "right" which is understood to be part of the concept of "ownership" and "property." The ownership system is in fact a certain social form of ownership and property. When we speak of a certain ownership system to be defined, what we mean is ownership or property that has the character of a certain social form to be defined. This social form simultaneously gives expression to certain social character.

Although "ownership" and "property" are legal concepts, the legal relationships reflected by them are but the economic facts and relations that manifest themselves in the superstructure of law. The above-mentioned relationship in which one makes something belong to oneself is, according to what is meant by the relationship itself, that is, to possess. Marx pointed out: "The foundation of private property, that is, //possession, is a fact, an unexplainable fact, not a right.// It is because society has bestowed legal provisions upon real possession so that real possession bears the character of legal possession, the character of //private property."//<sup>1</sup> In short, ownership is legal possession and to own things and property is to legally possess things.

The possession mentioned here is "besitz" [published in German in the original] in German and "possession" [published in English in the original] in English. Their only difference with the concepts of ownership and property is that they do not include a meaning that is recognized by law. In a certain period of historical development, because the state and the law have not come into or have gone out of existence, there is no such question as the recognition by law of the possession of things. Under this condition, there is only possession and no ownership. Therefore Marx said when commenting on primitive society: "It is right to say for such families and clans just //possess// but not to have //ownership-right."// He also said: "It is conceivable for a lone savage to possess things. But under this condition, possession is not a legal relation."<sup>2</sup> Obviously for the same reason, Marx also said when commenting on future communist society: "Viewed from the angle of a fairly advanced social economic form, individuals having private right to the land is as absurd as a person having private right to another. Even the whole society, a nation and including all societies that exist simultaneously are not the owners of the land. They are merely the possessors of the land, the users of the land."<sup>3</sup> But under the above-mentioned circumstances, although possession has no legal manifestation, it is recognized by society. It is different from possession that is not recognized by law even in the presence of law. Therefore, on the one hand, Marx pointed out conceptually that they were not ownership or property, but on the other hand, they are a rather vague concepts, that is, the "primitive ownership system."<sup>4</sup> They are the future new society's "public ownership" and "private ownership" which will be based on the "common possession of the means of production."<sup>5</sup>

In a society where the state and law exist, any possession recognized by law has become ownership or property. Contrary to this, possession is illegal. This means an infringement upon the ownership-right and property-right of others. But it must be pointed out that under such a social condition, sometimes there is possession of another kind which cannot form ownership or property and which is not illegal. For instance, Marx mentioned in Volume 3 of his work "DAS KAPITAL" that under the feudal system in Western Europe, the land was owned by the landowners but possessed by the peasants. This is the above-mentioned character that is, although the small plot of land tilled by the peasants was the property of the landowners, the peasants, to a certain extent, could freely use it as if it were their own land. They not only tilled the land for a long period of time, but also located certain property and houses on this land, while the landowners could not take the land back at will. Of course, this does not mean that the ownership of the landowners was not based on their possession of the land. In the final analysis, the land still belonged to the landowners. The peasants were not only dutybound to pay rent, but under certain circumstances, the peasants who possessed the land were subordinate to the landowners. While on the other hand, the direct possession of the land by the peasants was really different from illegal occupation. It had to a certain extent the character of ownership. It was in fact a very indefinite kind of possession. Marx pointed out: "In dealings involving monetary rent, the traditional, habitual relationships between the subordinate peasants who possess and cultivate part of the land and the landowners will inevitably change into relationships stipulated in a contract, that is, pure monetary relations that are affirmed according to the fixed rules of written law. ...On the one hand, under the general production relations that are suitable for other aspects, this change is used to gradually deprive the peasants who possess the land, so as to replace them with those who lease the land from the landowners which is a form of capitalism; on the other hand, this change will also free the former possessors from paying rent and turn them into independent peasants who have complete ownership-right to the land they cultivate."<sup>6</sup> In other words, either be eliminated or take complete ownership is the likelihood of possession during the disintegration of feudal society.

Possession, being the real economic content of ownership or property, is an extremely important phenomenon that is found everywhere in economic social life. To carry out production it is first necessary to take possession of the means of production. The end product of production is also the possession of products. It should be understood that the allocation and exchange of products are carried out within a certain given condition, with the possession of products being the starting point, and this condition continues to change. While consumption is in fact the realization of possession.

In each period of historical development, possession has its own social form, while simultaneously shows its social character. The stipulation of character and form of possession manifest itself not only in the main body of possession, that is, the possessors, but also in the subject of possession, that is the things being possessed. For instance, under the capitalist system, the means of production manifest themselves as capital, but also form can exist by the means of increasing value in the production process. The possessors of the means of production are the capitalists. In economy, they are nothing but the personification of capital. It has been pointed out in the above that the ownership system is



the stipulation of social form concerning ownership or property. Now we can understand further that the social form of ownership and property can in fact be summed up as the social form of possession, which is the legal manifestation of the latter. Insofar as its legal form is concerned, the capitalist form of possession is the capitalist form of ownership, that is, the capitalist ownership system.

From the above-mentioned we can see that the concept of ownership system includes the two aspects of the relationships in law which are regarded as the manifestation and formation of possession. Insofar as being purely relationships in law the ownership system is not the subject of the study of political economy, yet insofar as being the possession form which is recognized by law is concerned, the ownership system is a subject which cannot but be studied in political economy. To my mind, the above-mentioned is just what Marx meant when he said: "Political economy does not embrace the sum total of property relations from their legal manifestation, which is looked upon as the relations of will, but from their realistic formation, which is looked upon as the production relations."<sup>7</sup>

2

Now let us study what really determines the social form of ownership system or possession. Understanding this question will be beneficial to further understanding the relationship between the ownership system and the production relations.

According to the proposition presented in Stalin's article "On the Question of the Socialist Economy of USSR," which was studied by readers for many years, the ownership system is one aspect of the production relations which directly determines people's position and their relations in production and which, together with the latter, determines the allocation of products. Thus, besides the level of the development of the production force that determines, in the final analysis, the ownership system (generally speaking, there are no differences in understanding this point), the ownership system is in reality looked upon as an independent, self-sufficient thing that determines its own character so as to determine the other aspects of the production relations, insofar as the range of the production relations alone is concerned.

The comrades who have this viewpoint think that the ownership system is a question of the end result of the means of production, a question of what kind of persons should own the means of production. But what should determine the social attribute of these persons? Viewed from the angle of political economy, man is only the personification of production relations. If we say that the social attribute of the person who possesses the means of production has been affirmed, it will simultaneously mean that the form and character of this possession have also been affirmed. It is this which bestows certain social attribute upon the possessors of the means of production. Saying that the capitalist ownership system is an ownership system under which the capitalists possess the means of production is simply a repetition of phrases with the same meaning.

A further question is to sum up whether the possessors of the means of production are collective or individual, laborers or nonlaborers. It is true that it is a very important factor in determining the ownership system, that is, the form of

possession. In the chapter of the historical trend of capital accumulation in Volume 1 of "DAS KAPITAL," Marx pointed out that private ownership must be differentiated into private ownership of different types according to the principle of whether the possessors were laborers or nonlaborers. But to sum up ownership system merely in this way or to think that the ownership system is determined merely by this is obviously not Marx's viewpoint. In the same chapter as mentioned above, Marx described the capitalist ownership system as "private ownership based on exploiting other's labor which is free in form."<sup>8</sup> It is obvious that this simple stipulation on the capitalist ownership system has already exceeded the range of whether the possessors of the means of production are laborers or non-laborers and involved relations of other aspects. Otherwise, how can we differentiate historically among the several kinds of private ownership that bear the characteristics of exploiting others' labor?

Some comrades have pointed out that ownership system does not mean the ownership system of the means of production. Let us take the production condition as an example. Besides that of the means of production, there is the question of the ownership or possession of the labor force. These comrades think the social form of ownership or possession depends on who will possess the objective and subjective conditions of production so as to arrive at a social form a certain ownership system. These comrades have even gone further to try to prove that the ownership system is an independent element that determines all the remaining elements making up the production relations. This is just what was pointed out by Marx when he said that society was divided into different economic periods depending on how the means of production and the labor force are combined. This combination hinges on the condition under which the means of production and labor force are being possessed. For instance, the prerequisite to the purchase and sale of labor force and the process of capitalist production is the separation of the means of production from the laborers, that is, the antithesis between the owners of the means of production and the owners of the labor force who have lost the means of production.

However, we must not forget that when people say one thing is the prerequisite to another, it does not mean that it is the only prerequisite. Take the purchase and sale of the labor force as an example. Only when there is the separation of the means of production from the laborers, can there be the laborers who have nothing but their own labor. But such laborers can sell their labor force as a commodity. This must be done under the condition of a certain development of the production and circulation of commodities and of the accumulation of money by a few people. Whether logically or historically, the monetary relations of commodities are not the results of the separation of the means of production from the laborers. On the contrary, it is just the production and circulation of commodities that cause, under a certain condition, a division among the producers of commodities and the exploitation on small producers and that create the sellers of the labor force which is needed in capitalist production. This is why Marx pointed out again and again that the production and circulation of commodities are the beginning of capitalism and the premise of history. Here we would like to specially quote Marx to see how he explained this question in an all-round way. He said that the process of labor "becomes the process of capitalism, while money changes into capital. The reasons are: 1) The //production of commodities, //

that is, the production of products which is regarded as commodities, is the popular mode of production; 2) commodities (money) are exchanged for labor capacity (the same as labor in reality) which is regarded as a commodity, therefore labor is hired labor; 3) but the latter takes place only under the following conditions: being an independent force and not the property of labor but the property of others, being the form of //capital,// and the objective condition, that is, the product itself (as observed from the entire production process) production as opposed to labor."<sup>9</sup> If we say point 3 is about the possession of the means of production and the labor force and is the prerequisite for point 2, the purchase and sale of the labor force, then point 1, the development of the production of commodities is not only a process that is ahead and independent of point 1 and point 3 but, it is the same as point 2 and point 3 because it creates a certain form, that is, the purchase and sale of the labor force by combining the means of production with the labor force that had been originally separated.

Those who hold the viewpoint that sums up the stipulations of the ownership system simply into who possesses the means of production (which includes labor force) and that regards other elements of the production relations as being determined herefrom, will have difficulty in explaining not only the capitalist ownership system but also other forms of the ownership system. Take the primitive ownership system as an example. In the early period of human society, it was not the common possession of the means of production that made people form a community. On the contrary, it is like what was pointed out by Marx: "...The tribal community, that is, the natural community, was not the //common possession// (temporarily) or the result of //utilizing the land,// but its prerequisite." The various primitive forms of the ownership system "formed the economic foundation of the various types of communities. Similarly, they must take a certain form of community as their prerequisite."<sup>10</sup>

To solve this problem, we must understand in an all-round way the relations between the possession of the means of production and the production process.

Everyone agrees that the possession of the means of production is the prerequisite to production. But if the means of production that is possessed is not used in practice, such possession will be meaningless. Marx pointed out: "Since property ownership only means tacitly regarding the production condition as something //owned by oneself,// in other words, since the existence of producers manifests itself under the objective conditions of being //owned by others,// then, property ownership is realized through production itself. Since its beginning, real possession does not take place in the imagined relations to such conditions, but in the initiative and realistic relations to such conditions. That is to say, such conditions are regarded as conditions for its own main activities."<sup>11</sup> The above cited sentences are about the possession of the means of production by direct producers, that is, by the laboring individuals or by their communities. As for nonlaborers who possess the means of production, although they do not directly use the means of production in the production process, they must give it, under certain conditions, to the direct producers for their use. Under the former circumstances, the possession of the means of production makes its possessors realize their labor by letting them see the results of their own labor. Under the latter circumstances, the possession of the means of production makes its possessors enjoy the labor



results which they do not create. Viewed from the angle of the possession of the means of production, the above two circumstances are the economic realization of such possession.

The possession of the means of production is not only the prerequisite to production and the economic realization through production, but also the result of the production process. Only when the whole society regards the means of production that is consumed in production as the products to be produced, can production be carried on. Only when the whole society regards the additional means of production as the products to be produced, can the scale of production be enlarged. Any process of reproduction is not only the reproduction of materials goods, but also the reproduction of the production relations. When it reproduces the consumed and additional means of production, it also inevitably reproduces in one way or another the possession of such means of production which is the prerequisite to the process of new production. Otherwise, the possession or ownership of the means of production will become lifeless and cease to exist.

If the possession of the means of production is divorced from economic realization and its reproduction, it will become a fanciful relation. This is the heart of understanding the question of the ownership system. Marx pointed out: "Any prerequisite to the process of social production is at the same time its result, and its result is at the same time manifested as the prerequisite. Therefore, all production relations on which the production process relies are the conditions as well as the products of the production process. The more we observe this process in its actual working, the more its formulation will be fixed in the form of a condition, so that things which do not seem to depend on it (the production process) actually play very decisive roles."<sup>12</sup> Insofar as the question we are discussing is concerned, preliminary investigation only causes us to regard the possession of the means of production as merely the prerequisite to the production process and not the result of production. It makes us pay attention to the fact that without this condition there can be no production. It does not alert us to the fact that if separated from production then such a condition cannot be realized or continue to exist. Therefore, we will fail to understand that the possession of the means of production, together with its social form, is, in the final analysis, determined by a certain production process.

The process of using the means of production is the production process, while production itself is also a kind of possession. Marx said: "All production is the individual appropriation of nature that is proceeded in a certain social form and by relying on such a social form."<sup>13</sup> It must be pointed out that the appropriation mentioned by Marx here is not the same concept of possession which was mentioned earlier in this article. In German and English, they are respectively expressed as "aneignung" [published in German in original] and "appropriation" [published in English in original]. The "besitz" [published in German in original] of "possession" [published in English in original] mentioned above means an existing relation or status in which one makes something belong to oneself, while the "aneignung" or "appropriation" mentioned here means making something become one's own, which lays emphasis on the action of process that causes the above mentioned relation. In the Chinese edition of Marx's works, we have not been able so far to select a better word for "appropriation" to differentiate from "possession."



In order to avoid confusing the concept, we will temporarily use "appropriation" in this article. Although the meaning of "appropriation" is not completely the same as that of "possession," they are closely related and cannot be separated. On the one hand, all possession is the result of appropriation. The way Marx put it is that appropriation through labor is the "realistic economic process" of possession.<sup>14</sup> On the other hand, the economic realization of the possession of the means of production is also the appropriation of products. The continued existence of the possession of all nonnatural means of production, that is, its reproduction, will take the appropriation of products as its medium, that is, to possess it as products, then to repossess it as the means of production. Appropriation always proceeds in a certain social form and by relying on this form. This is the way of appropriation, which is an important category in political economy. In each period of historical development, the way of appropriation differs. For instance, under the feudal system, the possessors of the land--the landowners--appropriated the peasants' surplus labor in the forms of labor rent, rent in kind or monetary rent. Small commodity producers use the means of production possessed by themselves to carry out independent labor so as to appropriate the products created by themselves. While the capitalists, under the form of surplus value, appropriate the surplus products created by hired workers through their surplus labor. What is more, appropriation is after all realized through labor, therefore the appropriation under the above different conditions is in essence the appropriation of one's own or others' labor under various forms. It is precisely these different forms that directly determine the social natures and forms upon people's possession or ownership.

Being capital of a special form of possession or ownership, it must not only be able to bring forth the value of surplus value, but its reproduction changes from surplus value. The characteristic of such possession or ownership is that "the past appropriation of others' labor is now manifested in the simple condition of new appropriation of others' labor; in other words, others' labor becomes the property of the capitalists in the objective (material) form and in the form of the present value, which can make the capitalists reappropriate others' labor capability so that they can appropriate surplus labor, that is, the condition under which labor has no equivalent."<sup>15</sup> All this apparently does not violate the law of exchange of values. Obviously, with the separation of appropriation from surplus value, there can be no possession or ownership of the capitalist form, that is, no capitalist ownership. Now we will ask: What determines the mode of appropriation?

The mode of appropriation is determined by the mode of production which is regarded as the social form of production.<sup>16</sup> The mode of appropriation is realized in a similar way as the mode social production. In fact, the mode of appropriation is nothing more than the mode of social production which is examined by determining how people who participate in labor appropriate products.

Here I will cite a series of relations in the following:

The mode of production determines the mode of appropriation; the mode of appropriation directly determines the social nature and form of possession; the latter is manifested in law as the ownership system or as the form of property. If we delete

the intermediary link in the series and use a simple form to express it, we can say the mode of production determines the ownership system.

The mode of production of the social form of production is composed of a series of various processes related to various elements of reproduction. The combination of the means of production with the labor force is of course also an important factor. The connection and restriction of these constitute an organic whole, which shows all its relevant production relations, that is, the production relations, allocation, exchange and consumption in a certain historical period; first of all, that of the relations in the process of direct production. Therefore when we say that the mode of production determines the ownership system, we mean that the stipulation of the ownership system exists among these relations and that it is the sum total of the production relations. In "CRITIQUE OF GUTHA PROGRAMME," Marx pointed out: "Any allocation of the means of consumption is nothing but the result of the allocation of the production condition itself. While the allocation of the production condition shows the character of the mode of production. For instance, the foundation of the capitalist mode of production is: The production condition of material is in the hands of nonlaborers in the forms of capital and land, while the masses of people only have personal production condition, that is, the labor force."<sup>17</sup> Earlier, in "PREFACE TO 'CRITIQUE OF POLITICAL ECONOMY,'" he pointed out: "When allocation is before the allocation of products, it is (1) the allocation of production tools, (2) the allocation of the members of society among various modes of production (the individuals are subordinated to certain production relations) which is a further stipulation on the above identical relations. This allocation is contained in the production process itself and determines the structure of production."<sup>18</sup> These two passages are often quoted in various articles to prove that the ownership system is an independent aspect that determines everything in the production relations. Regarding this question, I would like to make some supplementary remarks on these two passages in addition to what has already been said in this article. It is undeniable that the status of the possession of the production condition is an important factor whether in determining the nature of the mode of production or in determining the mode possession, which is determining the ownership system. But we must not forget that possession is always under certain social production relations and in a certain social form. If we do not approach these two passages of Marx in a simple manner, we cannot but pay attention to "the production condition of material is in the hands of nonlaborers in the forms of capital and land," and "the individuals are subordinated to certain production relations." Obviously, Marx did not separate a certain social form or certain production relations when he talked about the production condition and thought that it could independently determine various forms and relations. The effect of being the other's prerequisite as well as the restrictive effect on all factors and component parts in the production relations exist from beginning to end. If we say that the possession of the production condition itself is the subject to be independently observed in the abstract in production and in the whole economic phenomenon, then when the question involves its social form, it can absolutely not be divorced from the realm of the production relations that are related to the possession of the production condition. Therefore, in "THE MORALIZATION OF CRITIQUE AND THE CRYSTALIZATION OF A MORAL" and "THE POVERTY OF PHILOSOPHY," Marx pointed out time and again: "Private ownership is not a simple relation, nor is it an abstract concept or principle, but the sum total of bourgeois production relations,"<sup>19</sup>

"to give definition to the bourgeois ownership-right is nothing but to describe the whole social relations of bourgeois production."<sup>20</sup>

3

Marx's fundamental theory and viewpoints on the question of the ownership system are reflected most strikingly and most convincingly in his works "DAS KAPITAL."

Everyone knows that "DAS KAPITAL" does not place the capitalist ownership system in a certain part of the book for special study, nor does it begin with the study of the possession of the means of production and the labor force. It begins with the analysis on the most common and most abstract form of the mode of capitalist production, that is, the mode of commodities. He meticulously studied the condition of money changing into capital, and he specially studied the production of surplus value. After this he specially observed the mode of capitalist appropriation when analyzing the process of capitalist reproduction and then he formally put forth the concept of capitalist ownership. He took the scientific thesis that this specified ownership would inevitably be replaced by public ownership at the end of Volume 1. To simply regard the process of capitalist production as one isolated process to analyze how surplus value is produced and how it is appropriated by capitalists is not sufficient to reveal all the characteristics and essence of the mode of capitalist appropriation. Therefore, it is still necessary to further analyze how surplus value constantly changes into capital and to understand where capital comes from and its structure. This is what we see in "the process of the enlarged capitalist production. The law of the ownership-right to commodity production changes into the law of capitalist appropriation" in section one, chapters 21 and 22, in regard to the part on the change of the mode of appropriation. If the question of the mode of appropriation is not first solved, we cannot sum up the concept of capitalist ownership. This point is clearly described in the precise expression "the mode of capitalist appropriation that is produced from the mode of capitalist production, hence capitalist ownership" that is used at the end of the section entitled "The Historical Trend of Capitalist Accumulation."<sup>21</sup>

I think, it may be said that the study of capitalist ownership is basically contained in Volume 1 of "DAS KAPITAL," because what is observed and studied in this volume is the process of capitalist direct production, which occupies a leading position in the whole concept of capitalist economy. Here we can obtain all the major stipulations on capitalist ownership. But this volume is not the end of the study of capitalist ownership, because some of its stipulations which are relative secondary importance are still contained in the relations of the process and whole process of circulation, for example, the change of surplus value into profits, the separation of capital ownership-right from functions, the difference between profits and the income of the owners of enterprises, and the land ownership-right and rent under capitalism. Therefore, in a complete sense, the study of capitalist ownership runs through all three volumes of "DAS KAPITAL."

Some people are of the opinion that the way Marx presented ownership systems in his work "DAS KAPITAL" is only a question of expression which seems to have nothing to do with whether ownership systems are an independent aspect that determines



everything in the production relations. They do not understand that Marx's way is by no means something which is divorced from the structure of the subject to be studied. It is the subjective reflection of the dialectics of the subject being studied. In "DAS KAPITAL," Marx arranged the order of presentation according to the positions of various economic categories in the capitalist economic structure.

For many years, due to the restrictive effects of viewpoints that are widely prevalent but not necessarily correct, a chapter or a section under the title of socialist public ownership has always been placed at the beginning of the part on socialist political economics in the teaching material or in special works concerned. In reality, besides relating the historical process of socialization under such a title, the chapter or section can only deal briefly with the two forms of socialist public ownership. In this case, it involves the different forms of the principle of to each according to his work, the production and exchange of commodities and the different modes of planned management, thus bringing at one time to the beginning the categories which are to be analyzed and the questions which are not yet explained, in the hopes of making clear the question of ownership. As a result, a striking confusion in logic emerges. This confusion itself shows that being a comprehensive and complicated category, ownership cannot be placed at the beginning of an analysis. Although people may ignore the internal relations from abstract to concrete, from simple to complicated that exist among categories, and forcibly place ownership at the beginning, yet the relations between ownership and categories will still stubbornly manifest themselves and force people to pull unconsciously and informally to the front what should be at the back. This phenomenon is detrimental to the scientific approach to socialist political economics and makes it impossible to form a strictly logical system.

To change this phenomenon, it will not do just to understand that ownership is not an independent aspect that determines everything in the production relations. But at least it can lead us to know more clearly that the present way of doing things is not feasible and why it is not feasible. To solve problems, we must probe into the internal structure of socialist economy in the way Marx did. "DAS KAPITAL" does not provide us with ready answers or logical structures that can be directly imitated, what it provides are methods.

#### FOOTNOTES

1. Collected Works of Marx and Engels, "Critique of Hegel's Philosophy," Vol 1, p 382.
2. "Collected Works of Marx and Engels," "Preface to 'Critique of Political Economy,'" Vol 2, p 104.
3. "Das Kapital," Vol 3, p 873, People's Publishing House, 1975 Edition.
4. "Collected Works of Marx," "Critique of Political Economy (1857-1858 Draft)," Vol 46, p 470.
5. "Das Kapital," Vol 1, p 832.



6. "Das Kapital," Vol 3, pp 899-900.
7. "Collected Works of Marx and Engels," "On Proudhon," Vol 2, p 142.
8. "Das Kapital," Vol 1, p 831.
9. "Collected Works of Marx and Engels," "Theory on Surplus Value," Vol 26, III, pp 544-545.
10. Ibid. "Critique of Political Economy (1857-1858 Draft)," Vol 46, pp 472, 502, 493.
11. "Collected Works of Marx and Engels," "Critique of Political Economy (1857-1858 Draft)," Vol 46, pp 472, 502, 493.
12. "Collected Works of Marx and Engels," "The Theory on Surplus Value," Vol 26, III, p 564.
13. "Selected Works of Marx and Engels," "Preface to 'Critique of Political Economy,'" Vol 2, p 90.
14. Ibid., Vol 46 (First), p 519.
15. Ibid., p 454.
16. Marx's words on the mode of production have two meanings: One is the mode of labor, the other is the social form of production. Please refer to "The Mode of Production and the Subject of the Study of Political Economy," "Jingji Yanjiu," No 6, 1980.
17. "Selected Works of Marx and Engels," Vol 3, p 13.
18. Ibid., Vol 2, p 99.
19. Ibid., Vol 1, p 191.
20. Ibid., Vol 1, p 144.
21. "Das Kapital," Vol 1, p 832.

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## ENERGY

### PRC ECONOMIC JOURNAL ON USING NATURAL GAS

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[Investigation by Geng Yinchun [5105 1377 2504] and Xu Yong [1776 3057] into the conservation of natural gas in Sichuan Province: "We Must Devote Major Efforts to the Conservation and Rational Use of Natural Gas"]

[Text] Energy forms the material base for the development of production and improvement of living conditions. Natural gas, like petroleum, is an extremely precious source of energy and industrial chemicals. Devoting major efforts to the conservation and rational use of natural gas is a task demanding immediate attention from the responsible departments, localities, and enterprises.

In the early 1950's, output of natural gas in Sichuan was practically zero. The two gas wells inherited from the shambles of the Kuomintang had an annual output of just a few million cubic meters. Since its establishment the state has, under the care of the party and government, made great investments, prospected for and opened up oilfields, and has now established for the first time a natural gas production base on a scale worth mentioning. The amount of gas extracted has continued to rise, and by 1979, accounted for 22 percent of the total energy output for Sichuan. This has played an important role in speeding up the development of the national economy and the improvement of the people's lives.

With the development of production and construction, the contradictions between supply and demand of natural gas have become increasingly noticeable. In early 1980, the required amount as stated by the various gas consumer units themselves vastly exceeded the extraction capacity of the petroleum departments. After repeated attempts at balancing the two, the gap between supply and demand is still in the region of 1 billion cubic meters, which amounts by equivalent to 1.33 million tons of standard coal and accounts for 44 percent of the total energy deficit. But the seriousness of the problem lies in the fact that, judging by recent natural gas output, the output trend is a falling one. This is because a contraction of the scale of capital construction will necessarily lead to a reduction in new drilling operations. Prospecting for and extraction of natural gas necessarily involve greater difficulties and longer cycles. Intensifying the extraction of natural gas necessarily shortens the high and stable production period of gas fields and wells, as well as causing their premature emission of water and premature depletion. Consequently, the problem of how to correctly resolve the contradictions between supply and demand of natural gas has grown quite urgent as far as the present development of the national economy is concerned.

In view of the fact that there is no way that production of natural gas can at present be stepped up, and that output will even continue to fall, if we are to resolve the contradictions between supply and demand, we have no choice but to devote major efforts to the conservation and effective use of natural gas.

We have learned from practice, that there are great potentials for gas conservation. In recent years, quite a few departments and localities in Sichuan have, with a view to easing the tension between supply and demand, taken vigorous measures to conserve gas and have obtained encouraging results. According to our information, in the first half of 1980, the amount of natural gas saved by the whole province reached 180 million cubic meters. Zigong Municipality strengthened its gas conservation management; in respect of enterprises with a daily natural gas consumption of over 10,000 cubic meters, it implemented the system of one investigation (general investigation) and three stipulations (stipulation of equipment, unit consumption, and daily level of consumption), and laid down the consumption quotas for 15 major products requiring gas. The unit consumption for 14 products reached an advanced level and the gas consumption level for the whole municipality fell by 16 percent compared with the same period in 1979. The municipalities of Chengdu, Chongqing, and Zigong listed the improvement of enterprises' gas boilers as a key item in technological improvement. In 1980, they planned to convert 400 gas boilers. In the first half of the year, they converted 97 boilers, and they estimate a possible saving of 62 million cubic meters of gas for the whole year. Chongqing Municipality has also implemented a system of rewards and punishments, and stipulated rewards for converting gas boilers to coal in the first half of 1981, punishment for postponing conversion until the second half, and the cutting off of gas supply as the final measure for failure to convert by the end of the year, and so has speeded up the progress of technological improvement of boilers. The Chengdu thermal power plant consumes around 200 million cubic meters of gas annually and is a "gas glutton." The plant has resolutely carried out the request made by the Central Committee and the province concerning the conservation of gas and has at one stroke converted all its producer boilers to coal. In 1979, annual gas consumption fell sharply to 31 million cubic meters. Quite a few enterprises have also strengthened management of everyday gas consumption, started to install meters, and implemented a system whereby gas is supplied at fixed hours. Gas consumption levels have fallen sharply and results have been good.

How can we fully tap the potentials for conservation of natural gas and turn this into a reality? We think that conservation work covers a vast area, that it requires close cooperation from all quarters, and that we must rely on all households and the broad masses of the staff and workers taking action and adopting the following few ameliorating measures:

First, we must reform the management system for natural gas. The following are the main problems in the present management system. First, the plan arranged for the use of gas more often than not, exceeds the normal amount of gas extracted by the petroleum departments. This method, whereby production is determined by supply, forces the petroleum departments to intensify extraction in order to meet the demands of the planned supply. Second, the implementation of the two-tier management system by economic committees at both the provincial and prefectural



level has led to the establishment of more natural gas companies everywhere, the collection of management fees, layer upon layer of organizations, and increases in expenses. Third, the petroleum departments are too strict in their management and too inflexible in their overall administration. In order to strengthen overall management, to be able to make up the deficiencies of one from the surplus of another, to extract gas in a rational way, and mitigate the contradictions between supply and demand, certain reforms must be carried out in the present management system in the following few areas: In our handling the relationship between production and supply, we must apply the method of determining production according to our reserves and of determining supply according to production, and change our former method of determining production according to supply. Only then can we put an end to intensive extraction and develop and make use of our limited resources in a rational way. In our distribution and management of natural gas, we should change the present two-tier management system into a unified management system under the provincial economic committee. Only then will the situation favor overall making up of deficiencies by surpluses within the framework of the whole province, and guarantee gas consumption in key areas. As for the management of transport and supply, we should establish an enterprise-style gas transport and supply company with branches in the localities. Under the dual leadership of the provincial petroleum bureau and the provincial economic committee, these can take over the functions of the local natural gas companies. They can keep their own independent accounts, adopt the system of responsibility for their own profits and losses, and draw up economic contracts with gas consumption units. The economic responsibilities of both parties will thus be defined. In so doing, we can both avoid layer upon layer of organizations, duplicate charges of fees, and mutual hindrance, and also have a situation favorable to flexible management, to making up the deficiency of one from the surplus of another, and to conservancy in the use of natural gas. The petroleum departments must also change the present management system under which government and enterprises are amalgamated, there is intense centralization and "everyone eats from a big pot," in order to bring into play the administration and management initiative of the enterprises at the grass-roots level.

Second, we must change the consumption structure of natural gas, and use natural gas in a rational way. The consumption structure of natural gas in Sichuan is not rational enough. Forty percent is used as raw materials, 60 percent as fuel. Too high a proportion of it is burned away, which, economically speaking, is hardly cost effective to say the least. According to the estimates of the Chengdu Natural Gas Company: Comparing using 1,000 cubic meters of natural gas in power generator boilers with switching over to using coal (gas converted into standard coal), the consumption of the 2 is by large equal, and sales and income are also about the same; used in most industries, a saving of 1/3 can be achieved and income can be raised by 15 yuan; used in the metallurgical industry, a saving of 1/3 can be achieved and income can be raised by 45 yuan; used in the production of raw materials, income can be raised by 200 yuan which, as far as economic value goes, greatly exceeds its use as fuel. The power industry of Sichuan Province, including privately-operated power stations, consumes 500 to 700 million cubic meters of natural gas a year. If this equipment was converted to run entirely on coal, income could be raised by 140 million yuan a year. The metallurgical industry consumes 640 million cubic meters of gas a year. If coal is substituted for gas

throughout, and this is used as industrial chemicals, even after subtracting the amount by which income has fallen in the metallurgical trade, income can still be raised by 90 million yuan a year. Conversely, if the chemical fertilizer industry substitutes coking coal for natural gas as raw material, costs will rise by up to 100 percent, leading to heavy losses. From this we can see that it is by clamping down on the use of gas for fuel and preserving the use of gas for production materials that the greatest savings can be achieved.

If we are to change the structure of natural gas consumption, we must in connection carry out technological reform, resolutely convert the boilers, and strive to convert back in 2 to 3 years and in batches and stages, all boilers that once ran on coal but now run on gas. We must actively spread the method adopted by the Chongqing Municipality. We must draw up a plan and stipulate a date for completion, with rewards for those who finish early, punishments for those who fail to meet the deadline, and a cutting off of gas supply for those who exceed the time limit. Particular emphasis must be placed on those major consumers of gas. All those for whom it is not too much trouble and who have the preconditions for change should change over immediately. As for those units which lack the preconditions and have greater difficulty in converting, the responsible departments should actively create the necessary conditions for them to gradually achieve this. As for boilers originally designed to run on natural gas, we should also proceed from the actual conditions, and convert to coal those capable of being converted. We must actively pursue the policy of making salt in a vacuum and gradually do away with making salt in a flat pan with its high costs and high consumption of gas. Furthermore, we should consider closing and changing over the "five small" enterprises and other enterprises whose products are unmarketable, which consume vast amounts of energy, and which have been running at a loss for some time.

Third, we must eliminate step by step everyday consumption of gas and save gas for use in the production of raw materials. For some years now, more and more enterprises have been using more and more gas in their everyday lives and the number of such enterprises is increasing. There is also an ever-growing tendency for gas to be used in the cities. In view of this, we propose that all new users should be prohibited from using natural gas. As for the enterprises and units which have in the past arranged everyday use of gas, we must also draw up a plan for transformation in separate batches and stages. Before the transformation, we must strictly differentiate between production and everyday use of gas, implement the system of measured fixed hour supply, and do away with the unreasonable method of payment under which responsibility is undertaken for the whole task until completion, with supply being unlimited and over-expenditure being subsidized. We must set a time limit for the installation of meters and cut off the gas supply of those who exceed the time limit.

Like other gas consuming units, the gas which the responsible departments privately consume should be entered in the national plan, household by household and item by item. Within 3 years, the proportion accounted for by privately-consumed gas should be reduced to below 8 percent from the present 10 percent, and we should devote major efforts to improving the marketability of natural gas.

We propose that the state or the province lay down laws governing the management of natural gas to clamp down unequivocally on illegal users, whether they are factories, enterprises, rural communes and brigades, or individuals. We should fix a time limit after which the flame will be extinguished. Those who exceed the time limit should be made to pay a fine and serious offenders should be subjected to the sanctions of the law.

Fourth, new gas consumption items should be strictly controlled. In view of the extreme shortage of gas at present, the new gas consumption items in capital construction and tapping potentials must be more strictly controlled than ever before. To this end, we propose that from today, all new gas consumption items should be treated as petroleum consumption items and should all be reported to the province to be submitted to the state for approval. Only then can construction planning begin. In reducing the items, we can deal with them in different ways according to the circumstances. All products in short supply, which do not consume much gas and whose economic effect is good, may be examined and approved as warranted by the circumstances. The remaining gas consumption items should be redesigned to run on coal. In order to strengthen control over gas consumption, we propose the implementation of a permit system, whereby those who have not obtained permission from the authorizing body, and who, without having been issued with a gas consumption permit, proceed by themselves to construct gas consumption items, should be prohibited from carrying out projects by the projects department, prohibited from carrying out construction work by the construction department, refused funds or loans by the banking departments, and have their gas supply stopped by the gas supply department.

There are at present tentative schemes for conversion to gas in the cities of Chengdu, Chongqing, Zigong, and Yibin in Sichuan. One scheme advocates using natural gas, while another advocates using coal gas. Natural gas admittedly has the advantage of being less expensive and of producing faster results. However, this proposal fails to grasp the reality that the source of gas is limited and that tension exists between supply and demand. According to preliminary estimates, assuming that each of the above four cities has on average 400,000 households and each household has a daily gas consumption of 1 cubic meter, we will have to increase the amount supplied by nearly 600 million cubic meters a year, while the gas saving plan for the province is no more than 600 million cubic meters for the whole year. Consequently, this will be almost entirely burned away by the conversion to natural gas of the cities. This can only intensify the contradictions between supply and demand, cause an imbalance in the proportion of reserves to withdrawals, and affect the use of gas on light textiles and industrial chemicals. Having weighed the pros and cons, we find the plan for the conversion of the cities to natural gas is unacceptable. In order to carry out the conversion of the cities to coal gas, we need to build coking plants. Although expenditure is greater, profits will also be greater once the plants are built and the investment recovery period is short. This would be a rather more realistic approach.

Fifth, we must draw up a thoroughly feasible plan for saving gas. The task of saving gas in Sichuan is a formidable one. It is not just a question of saving natural gas itself, but also of replacing it by other forms of energy. Therefore, we must draw up a well-conceived plan for saving energy. There is already in the



province a plan for saving energy during the sixth 5-year plan. Every department and locality should pool their wisdom and strength to speed up its realization. In the course of its implementation, we should actively popularize the good experience gained from saving gas. As for raising funds for conservation of gas, apart from subsidies from the state and having the departments and enterprises raising part of the expenses, the treasury and banks should all dig into their fund and give support. The machinery, material supply and construction departments should also actively design advanced gas-saving equipment, promptly organize the supply of materials needed for conversion for gas-saving, and promote the thorough study and launching of saving gas at every juncture.

Sixth, we must adopt the method of economic management, fully bring the various economic mechanisms into play, and give impetus to the implementation of gas-saving measures. We are of the opinion that, as far as natural gas pricing policy goes, we should first consider suitably raising the price of natural gas. The current price of natural gas is rather low, and price parities are not altogether rational. Not only does this cause the petroleum departments to suffer losses in their use of gas; it is also unfavorable to implementing gas-saving measures. The current price of crude oil in Sichuan is 130 yuan per ton, while the price of gas is only 80 yuan per 1,000 cubic meters. The calorific content of 1 ton of crude oil and 1,000 cubic meters of natural gas is about the same. The price of natural gas is thus evidently quite low. It is absolutely vital that appropriate readjustments be carried out at the appropriate time. Secondly, we must set different prices of natural gas according to the different circumstances, and change the present one-price stipulation. If the price for use of gas as raw materials should be lower than its price for fuel, its use in production ought to be less than its use in everyday life, its use in the production of products in short supply ought to be less than its use in the production of those in excessive supply, and low-pressure gas ought to be cheaper than high-pressure gas. The 20 percent discount pricing policy operated in favor of the "five small" enterprises in the past is not conducive to progress and in fact encourages backwardness, and so should be abolished. Once again, before the price of natural gas has been adjusted, the gas-consuming enterprises should, in order to promote the conservation of gas and strengthen economic accounting, adopt the method of establishing an internal settling price, which should be higher than the current price. This would give impetus to the development of gas saving work.

The tax departments can reduce the fixed assets appropriation fee chargeable on, or exempt from tax altogether, equipment better suited to the saving of gas. When charging regulator, they should also treat gas saving and consumption as an important factor in determining the tax rate, in order to fully bring into play the regulator effect of taxation.

We must adopt the method of supplying gas according to fixed quotas and of rewarding those who save gas. The departments responsible for the various gas-consuming units should lay down average progress quotas to act as a basis for supply and assessment. All units that save gas within the quota should have most of the value of the gas saved submitted to the treasury, but they may keep a small part of it within the enterprise. Apart from setting aside a fixed proportion to be used for rewarding groups and staff and workers who have managed to save gas, that portion which is kept within the enterprise can be deposited at a bank and used as a special fund for gas-saving improvements.

The banks should give preferential low-interest loans for technological transformation for saving energy and gas. By means of loans, we can supervise and help the various units to implement the gas-saving measures according to plan. As for those who complete the gas-saving measures ahead of time, we can leave the profit realized before the expiry of the loan in the hands of the enterprise to be used as a fund for the development of production.

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## FOREIGN TRADE

### SHANGHAI SHIPYARD EXPANDS EXPORTS

Shanghai JIEFANG RIBAO in Chinese 28 May 81 p 1

[Article by correspondent Wang Zhaokun [3769 0340 0981] and student Shen Danxin [3066 0030 1800] of Fudan University Department of Journalism: "Shanghai Shipyard Expands Exports"]

[Text] The Shanghai Shipyard is pursuing a "support imports with exports" policy. Simultaneously with expanding exports vigorously the shipyard has appropriately brought in advanced technology and equipment from abroad and strengthened technical transformation of the old plant so as to improve production techniques quickly and better the technical performance of its export ships.

In the situation arising from readjustment of the national economy and sharp drop of shipbuilding tasks, the shipyard has vigorously expanded its exports. Last year, after building four 900-h.p. tugboats for Romania they began building four 16,000-ton multipurpose cargo ships for the China-Poland Steamship Company. Not long ago, they signed a contract with merchants of West Germany for exporting four 12,300-ton container ships. These export ships valued at US\$100 million will all be delivered during 1983. Furthermore, they have vigorously expanded repairs on foreign ships. Sixteen foreign ships were repaired last year and four were repaired during January-April this year. At the same time, they have established relations of commercial and technical cooperation with firms in more than 10 countries and regions including Denmark, Switzerland, Japan, and Hong Kong, for manufacturing various shipboard equipment. This year, export ships will make up about 70 percent of the ships built by the shipyard, and this will be increased to more than 95 percent next year. Furthermore, in the form of compensation trade they have set up with merchants of West Germany a modern container branch yard which is expected to go into operation in the first half of next year. The branch yard is expected to resell 7,200 containers to West Germany each year. In 5 years the total amount of loans plus interest will be paid off.

By "supporting imports with exports" the shipyard has increased the competitiveness of their products on the international market. With a view to higher level of ship designs, they have united with Danish and West German shipyards to design boats and ships, thereby enabling their technical personnel to acquaint themselves gradually with the procedures and requirements of advanced designs overseas and raise their technical level. To meet demands of foreign merchants, they have adopted some advanced products from abroad while adopting as far as possible



domestically produced components that are up to standard. Using their share of foreign exchange, they have imported some advanced technology and equipment from abroad, thereby adding advanced sets of equipment for shipbuilding purposes. The shipyard has set modernization of management in motion by modernizing their product. They are stressing several things: 1) According to the requirements of specialized production, they are changing the organizational system of the shipyard. The shipyard has formed "three yards and two lines," that is, two ship-repairing branch yards, one forging branch yard, and two production lines for ships and engines. Four specialized lines--finishing forms, flat sectioning, level cambered sectioning, and vertical sectioning--have been initially established in the ship-building process, and in engine building they are working with a patent obtained from the Suershou (5685 1422 1108) Co. of Switzerland, and have changed the organizational system to conform to production technology processes. 2) "Combine industry and trade." Working in close coordination, the shipyard and China Machinery Import and Export Corporation have given full play to the special skills of each other. China Machinery Import and Export Corporation assumes responsibility mainly for foreign trade while the shipyard concentrates its energy on technical work, and they have achieved good operational results. 3) Train the backbone of scientific and technical contingents with goals in mind and in a planned manner. Since 1978 the shipyard has sent 149 personnel abroad to receive training related to their specific assignments. At the same time, the shipyard has conducted 343 in-house training courses.

Thanks to these measures, the technical performance of the ships exported by this shipyard has quickly improved. The "Shaoxing" built in 1978 was up only to the level of the sixties; the "Luban" now under construction is up to the level of the seventies. The container ships to go into production shortly will be aiming at the new level of the eighties.

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## FOREIGN TRADE

### SHIP COMPANY EXECUTIVE SEES TREMENDOUS EXPORT POTENTIAL FOR CHINESE SHIPS

Beijing CHUANBO SHIJIE [SHIP WORLD] in Chinese 1 Jun 81 p 1

[Article: "Chinese Ships Have Tremendous Export Potential"]

[Text] Dwelling on the prospects of China's shipbuilding industry, Mr Bao Yuxing [0545 3768 2502], chairman of the board of the Hong Kong Lian'ong Steamship Company, Ltd. said that because of geographical conditions and large population, export of Chinese ships has tremendous potential. It is estimated that by 1990, that is, in 10 years, the tonnage of China's export ships will be over 30 times what it now is.

His optimistic estimate of the potential for China's shipbuilding industry is based on actual talks and visits he has had. He calculated that the Dalian Shipyard, Fudong Shipyard, Jiangnan Shipyard, Zhonghua Shipyard, Shanghai Shipyard, and Xingang Shipyard in Tianjin have 12 shipways capable of building 20,000-150,000-ton ships and that each shipway is capable of building four ships, which means a total of 48 ships can be built, and if each ship is around 40,000 tons, the total would be nearly 2 million tons. In addition, there are many other shipyards in China.

While China has tremendous capacity for exporting ships, it is necessary to speed up its development so as to get twice the results with half the effort. Bao Yuxing takes the view that the system of China's shipbuilding industry must be restructured and that management remains to be strengthened. He made a 5-point proposal:

(1) Attach importance to contracts. Inspection groups should be set up to inspect and accept ships on the basis of the quality specifications enumerated in the contracts and according to the decisions of the Ship Inspection Bureau. Contract provisions may not be altered, so we can earn the confidence of overseas shipowners.

(2) Institute a complete set of procedures for continuously servicing export ships. China should set up organizations like maintenance service stations overseas. Consideration may be given to establishing these service stations in Hong Kong so as to utilize Hong Kong's swift transportation and excellent communications equipment.

(3) Publicize China's shipbuilding capacity extensively. Our shipping companies' personnel should go out to solicit business and get in touch with foreign ship-owners.

(4) Set up a special research center to study a series of ship production problems including freight service and complete design of port facilities. Our country must be able to tell foreign shipowners what we can supply and let them make the choice, instead of waiting for a request to be made before taking action, which is how we now do things, and which keeps us lagging behind.

(5) Division of labor between Chinese shipping companies and various shipyards.

Bao Yuxing said: Shipbuilding industry is given the greatest importance at the time a country begins to stride forward towards industrialization because it is a labor-intensive and service-exporting industry. This was true for England from 1920 to 1950, and for Japan after the fifties. Our country is now at this stage. The British shipbuilding industry developed from the twenties to the fifties, at which time it began to decline, made something of a transition to precision industry, and had its place taken by Japan. The years from the sixties to mid-seventies were the most magnificent years for Japanese shipbuilding industry, but since then a decline has appeared and, like what happened to England, one of every three Japanese shipbuilding workers has switched to precision industry. Such are the objective conditions of the development of the shipbuilding industry. His view on what England and Japan as leading shipbuilding countries in the world have gone through is another factor in Bao Yuxing's confidence in the prospects of China's shipbuilding industry.

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## FOREIGN TRADE

### ATTRACTING, UTILIZING FOREIGN CAPITAL STRESSED

Beijing BEIJING RIBAO in Chinese 10 Apr 81 p 3

[Article by Wang Zumin [3769 4371 2404], Jiang Baoqi [5592 1405 4388], Jiang Yiguo [5592 0001 0948]: "Attracting and Utilizing Foreign Capital Is an Important Policy"]

[Text] Putting an end to isolation and launching economic activities with foreign countries, our country has imported a considerable amount of advanced equipment and attracted some foreign capital in recent years. But rash and excessive importation has aggravated imbalance of the national economy to a certain degree and caused some economic losses. Under such circumstances, should we continue to import new technology and utilize foreign capital? The answer is in the affirmative.

With science and technology advancing and changing day by day, to bring in new technology from abroad and utilize foreign capital is an effective way for backward countries to raise their scientific and technological levels quickly and enlarge their production capacity. In modern economic history, it is through this channel that some economically backward countries have reached the advanced levels within a relatively short period. The United States caught up with and overtook England at the end of the 19th century; Japan and West Germany rose quickly after World War II. All these are prominent examples. In the fifties and sixties, our country, too, brought things in from abroad on a large scale, which played an important part in changing the backward features of our industrial techniques, enlarging our production capacity, and filling the gaps in some industrial sectors. Later, owing to the disruptive activities of Lin Biao and the "gang of four," importation was interrupted with the result that the economic and technical gaps between our country and the advanced countries were widened. After smashing the "gang of four," we abandoned the closed-door policy and pursued an open-door policy, under the assumption that self-reliance was still the goal. This policy is in conformity with the objective requirements of the social and economic development of our country and is entirely correct.

China is characterized by a large population, poor foundation, backward technology, and a shortage of capital. To proceed from these conditions of the country and bring in new technology from abroad and utilize foreign capital energetically but cautiously will help us solve the problems of backward technology and shortages of capital. First, bringing in new technology from abroad means taking the advanced science and technology as the starting-point, making it possible to accelerate the technical transformation of the national economy. A considerable part

of our industrial equipment is 20 to 30 years behind that of technically advanced countries, and the gap is even wider in agriculture. If we spend our time looking for answers in isolation, we are bound to waste a great deal of time. By bringing in new technology from abroad we can avoid the tortuous path others have taken and can shorten the time required to catch up with advanced international levels. Second, by bringing in new technology from abroad we can do more things with less money, saving capital and increasing savings for modernization purposes. New technology costs a lot of money from research to testing, design, and production; such costs can be cut if we buy new technology and advanced equipment. Furthermore, imported technical equipment is generally better than similar equipment made at home because it generates higher labor productivity and consumes less materials and power. Put into operation, this imported equipment can expand production, cut down outlays and accumulate funds for the state. Third, bringing in new technology from abroad will promote development of our scientific undertakings and help us train technical contingents. At the same time, it will help us raise the management level of our enterprises.

Practice bears out the necessity of importation and utilization of foreign capital. But importation must proceed from actual needs and possibilities and must follow the principle of independence and self-reliance and implement the policy of serving the readjustment of the national economy. For the present, the most important principle is that attracting foreign capital and bringing in new technical equipment from abroad must be compatible with the resources of our country.

The scale of importation must be conditioned primarily by the domestic capacity for manufacturing the necessary accessories. For imported projects a corresponding amount of accessories investment is required in the process of construction. Calculated on the basis of complete sets of large equipment imported in the early 70s, for each US\$1.00 equipment imported, an average of 4 yuan in domestic accessories investment was required. A few years ago when the "leftist" errors in economic guidance were not promptly sorted out, the scale of capital construction became increasingly larger, and exceeded the limit of our financial and material resources. One important reason was that importation of the complete sets of equipment was too large in scale and was in excess of needs and possibilities. Excessive importation is bound to aggravate financial, credit, and commodity supply imbalances, add to financial and economic difficulties, or hold up progress of construction and keep equipment idle. This results in enormous waste. The domestic capacity for manufacturing the necessary accessories has to be buttressed with raw and processed materials, fuels, power, and transportation facilities required after the imported equipment is put into production. Thus, advanced equipment imported in excess of the domestic capacity for manufacturing the necessary accessories will not produce the desired results.

The scale of importation must be compatible with the ability to pay foreign debts. A lot of advanced technical equipment is bought with foreign loans. Foreign capital borrowed must be paid back in foreign exchange, including principal and interest. Annual interest rates plus surcharges are as high as 15-20 percent in the international market. If foreign loans are not paid on time they will double in 6 years. If, regardless of foreign exchange balance and our ability to pay back on time, we borrow any international floating capital that comes along, the consequences would be unthinkable.

Further, importation of new technology should be compatible with the technical level and management ability at home. Some people think that the more advanced the imported equipment the better. That is not true. Advanced technical equipment has to be handled and serviced by man and has to have spare parts for those that are used up. Some of our comrades go after the "most up-to-date" and the "most modern" and overlook the technical forces needed to build, use and service the equipment, and the level of management required. The result is that shortly after some piece of equipment is installed it is out of order. If we do not know how to effect repairs and manufacture spare parts, we are bound to land ourselves in a passive position.

Importation must benefit the overall balance of the national economy and emphasize economic results. In the past, priority was one-sidedly given to development of heavy industry, particularly the steel industry, and these sectors accounted for a considerable portion of the total amount of equipment imported. Statistics show that, of the total imports over the past 30 years the metallurgical industry accounted for more than one fourth while light and textile industries accounted for only 12 percent (light industry 1.4 percent), transportation only 0.5 percent and agriculture almost zero. Even in recent years, some iron and steel industry projects and a lot of equipment consuming excessive amounts of energy and power have been imported. It is estimated that after the 20-odd projects imported over the past 2 years are built and put into operation, they will consume more than 10 million tons of crude oil, 20 million tons of coal and several million kwh of electricity a year. Failure to make the readjustment will aggravate the imbalance of proportionate relations and impede coordinated growth of the national economy. Therefore, it is absolutely correct to defer or stop these projects. From now on, we should bring in more projects that benefit the development of agriculture, light and textile industries, and the development of energy and transportation. We should lay emphasis on those labor-intensive industries that require less investment, produce quick results and generate more foreign exchange, and ensure that certain weak links in the national economy are remedied and sectors needing development badly are developed as quickly as possible.

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**FOREIGN TRADE**

**HITACHI-FUJIAN JOINT VENTURE TO PRODUCE TVs**

Hong Kong TA KUNG PAO in Chinese 9 Jun 81 p 1

[Article: "Hitachi-Fujian TV Plant Goes Into Operation"]

[Text] (Fuzhou 8 June) Vice Governor Zhang Qian [1728 6680] of Fujian Province made it clear at the opening ceremony for "Fujian-Hitachi Television Company" today that Fujian is pursuing an open-door policy, and that, economically, flexible measures are being taken to fully exploit Fujian's resources and favorable conditions to open a new path for foreign trade, and that foreign merchants, overseas Chinese and compatriots from Hong Kong and Macau are welcome to invest.

The "Fujian-Hitachi Company," jointly operated by Fujian Province and the Japanese electrical equipment industry, was officially put into operation in Fuzhou on 8 June and a grand opening ceremony was held.

This company was formed jointly by the Fujian Investment Co. and Fujian Construction and Import-Export Company, and Japan's Hitachi, Ltd. The company was established in less than 5 months after the signing of the contract on 13 December last year. Two assembly lines--color and black-and-white TVs--have been built; another color TV assembly line has been set up and will be put into operation shortly. An annual production of 90,000 12" black-and-white TVs and 40,000 14" and 20" color TVs is projected.

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